

Message Text

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PAGE 01 LAGOS 02576 301057Z

43

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08

TRSE-00 PA-04 PRS-01 USIA-15 DRC-01 /221 W

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R 271411Z MAR 74 ZFG
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 3316
INFO AMEMBASSY ABU DHABI
USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY VIENNA

C O N F I D E N T I A L LAGOS 2576

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJ: PETROLEUM: NIGERIA PROPOSES INDUSTRY-WIDE
55 PERCENT PARTICIPATION

1. MINISTRY OF MINES AND POWER HELD MEETING MARCH 26 WITH
GULF AND MOBIL TP PROPOSE 55-PERCENT GOVERNMENT PARTICIPATION
IN EACH COMPANY'S OPERATION EFFECTIVE APRIL 1, 1974.
COMPANIES WERE OFFERED COMPANSATION ON SAME UPDATED BOOK
VALUE BASIS USED IN JUNE 1973 AGREEMENT WITH SHELL-BP.
CASH SETTLEMENT FOR YEAR ENDING MARCH 31, 1974, WOULD ALSO
BE MADE ON SHELL-BP TERMS, I.E. AS IF 35 PERCENT PARTICIPATION
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PAGE 02 LAGOS 02576 301057Z

WERE IN EFFECT SINCE APRIL 1, 1973.

2. THE MINISTRY SPOKESMAN, PERMSEC PHILIP ASIODU, SAID THAT HE HAD BEEN INSTRUCTED BY HIS GOVERNMENT TO MAKE THE OFFER AND THAT THE SAME TERMS WOULD APPLY "INDUSTRY-WIDE." GULF AND MOBIL REPS ASSUME THEREFORE THAT IDENTICAL 55-PERCENT DEAL WILL BE OFFERED TO SHELL-BP AT A MEETING WHICH IS SCHEDULED TO TAKE PLACE MARCH 28.

3. IN PROVIDING THE FOREGOING INFORMATION, THE LOCAL MANAGERS OF THE TWO COMPANIES CAUTIONED THAT PROPOSAL IS HIGHLY CONFIDENTIAL UNTIL ACCEPTED AND FORMALLY AGREED WITH FMG. HOWEVER, THEY ARE CONFIDENT PROPOSAL WILL BE ACCEPTABLE TO THEIR MANagements AND AGREEMENTS WILL BE SIGNED IN VERY NEAR FUTURE. ONE SAID TERMS WERE SO MODERATE THAT HE HAD DIFFICULTY KEEPING STRAIGHT FACE DURING MEETING. HE POINTED OUT THAT 55APERCENT PARTICIPATION IS GOAL FMG SET SOME TIME AGP FOR ITS PARTICIPATION IN ALL STRATEGIC INDUSTRIES, E.G. LNG.

4. FMG OFFERED FIFTY-PERCENT BUYBACK FIGHTS DURING FIRST YEAR, 25-PERCENT IN SECOND, AND ZERO THEREAFTER. COMPANY WOULD HAVE FIRST REFUSAL RIGHTS TO FIFTY PERCENT OF GOVERNMENT ENTITLEMENT. (ASSUMING 55-PERCENT AGREEMENTS CONCLUDED WITH ALL SIX PRODUCERS AND THEY EXERCISE FIRST REFUSAL RIGHTS, TOTAL PARTICIPATION OIL AVIALABLE TO FMG WOULD BE ABOUT 330,000 BARRELS PER DAY DURING YEAR WHICH STARTS APRIL 1, 1974, WHEN TOTAL PRODUCTION IS EXPECTED TO AVERAGE 2.4 MILLION B/D. IF ROYALTIES TAKEN IN KIND, TOTAL GOVERNMENT OIL WOULD RUN AS HIGH AS 570,000 B/D, BUT COMPANY REPS BELIEVE PARTICIPATION AS JUST PROPOSED WOULD DISCOURAGE GOVERNMENT SALE OF ROYALTY OIL.)
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